

**STATE OF LOUISIANA**

**DEPARTMENT OF ENVIRONMENTAL QUALITY**

**IN THE MATTER OF:**

**PRIDE ENERGY COMPANY**  
**AI # 96876**

**PROCEEDINGS UNDER THE LOUISIANA**  
**ENVIRONMENTAL QUALITY ACT**  
**LA. R.S. 30:2001, ET SEQ.**

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**Enforcement Tracking Nos.**  
**WE-CN-02-0175**  
**WE-P-02-1089**

**Docket No. 2004-3123-EQ**

**SETTLEMENT**

The following Settlement is hereby agreed to between Pride Energy Company, An Oklahoma General Partnership (“Respondent”) and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

**I.**

Respondent is a general partnership who owns and/or operates oil and gas production facilities in the Ellis Oil and Gas Field in Acadia Parish, Louisiana (“the Facilities”).

**II.**

On December 31, 2002, the Department issued a Penalty Assessment, Enforcement No. WE-P-02-1089, to Respondent, which was based upon the Department’s following findings of fact:

The Respondent owns and/or operates oil and gas production facilities known as the E.J. Hollins #3 well and the Ellis SWD #2 well located in the Ellis Oil and Gas Field in Acadia Parish, Louisiana. The Respondent does not have a Louisiana Pollutant Discharge Elimination

System

(LPDES) permit or other authority to discharge wastes and/or other substances to the waters of the state.

Inspections by the Department in response to a citizen complaint disclosed that the Respondent did cause or allow an unauthorized discharge of produced water into Bayou Jonas, thence into Coulee Andre, thence into Bayou Plaquemine Brule, all waters of the state, from the E.J. Hollins #3 well site. Specifically:

- A. On or about February 18, 2002, an inspection by the Department revealed the following:
  - 1. Numerous oil spills and used absorbent pads were on the ground around production equipment which had the potential to generate contaminated storm water runoff;
  - 2. The containment levee around the tank battery was deteriorated and lacked sufficient freeboard; and
  - 3. An open siphon pipe through the containment levee was also noted, the vegetation in the general area of the siphon was dead or dying.
- B. On or about February 20, 2002, an inspection by the Department revealed a chloride concentration of 1,500 ppm in the runoff path directly below the siphon used to drain the tank battery containment.

The unauthorized discharge of produced water is in violation of La. R.S. 30:2075, La. R.S. 30:2076 (A)(1)(a), La. R.S. 30:2076 (A)(3), LAC 33:IX.501.A, LAC 33:IX.501.C, LAC 33:IX.708.C.1.a, LAC 33:IX.708.C.2.a.ii, LAC 33:IX.708.C.2.a.iii, LAC 33:IX.1701.B, and LAC 33:IX.1901.A.

Further inspection by the Department on or about February 18, 2002, revealed that the Respondent did cause or allow the release of oil and produced water at the Ellis SWD #2 well site into a rice field impoundment. Specifically, a flow line traversing the impoundment ruptured and

caused a release of produced water and oil. At the time of the inspection, approximately 6,000 square yards of vegetation inside of the impoundment was dead or dying. Also noted were dead crawfish and birds, and pools of oil inside of the impoundment.

Also, inspections by the Department on or about February 18 and 20, 2002, disclosed that the Respondent had failed to implement an adequate Spill Prevention and Control (SPC) plan by failing to provide pollution containment devices that under normal operating conditions prevent unauthorized discharges and by failing to remediate the spills in a timely manner as indicated by Findings of Fact II and III in the Department's Penalty Assessment. The failure to implement an adequate SPC plan is in violation of La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.708.C.1.b, and LAC 33:IX.905.A.

A file review conducted by the Department on or about March 7, 2002, disclosed that the Respondent failed to timely notify the Department verbally or in writing of the above-referenced spills. Specifically, correspondence submitted to the Department by the Respondent on February 25, 2002, indicated the Respondent was aware of the ruptured flow line on January 29, 2002. The February letter was the first written notice that was submitted to the Department concerning this spill. The Respondent did not provide any verbal notification until the time of the inspection on February 18, 2002. The failure to notify the Department verbally or in writing of the above-referenced spills in a timely manner is in violation of La. R.S. 30:2025 (J)(2), La. R.S. 30:2076 (A)(3), La. R.S. 30:2076 (D), La. R.S. 30:2077, LAC 33:IX.501.A, LAC 33:I.3917.A, and LAC 33:I.3925.A.

### III.

The Respondent was issued Consolidated Compliance Order And Notice of Potential Penalty, Enforcement Tracking No. WE-CN-02-0175, on April 5, 2002, for the Department's above-referenced violations.

### IV.

In response to the Penalty Assessment, Respondent made a timely request for a hearing on February 14, 2003 on the basis that disputed issues of material fact and law exist. An alternative dispute resolution agreement was entered between the Department and the Respondent on March 17, 2003. The agreement was extended while the Respondent and the Department worked toward a resolution of disputed issues. The Department granted the Respondent's hearing request on April 2, 2004.

### V.

Respondent denies it committed any violations as determined by the Department in the Penalty Assessment and the Department's Penalty Calculation Worksheet or that it is liable for any fines, forfeitures and/or penalties.

### VI.

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of TEN THOUSAND FOUR HUNDRED THIRTY-EIGHT AND NO/100 DOLLARS (\$10,438.00), of which One Thousand Eight Hundred Nineteen and No/100 Dollars (\$1,819.00) represents DEQ's enforcement costs, in settlement of the claims set forth and referenced in this

agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

#### VII.

Respondent further agrees that the Department may consider the inspection report(s), the Penalty Assessment and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

#### VIII.

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

#### IX.

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

X.

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Acadia Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XI.

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

XII.

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XIII.

The provisions of the Settlement Agreement shall apply to and be binding upon the State

of Louisiana and upon the Respondent and the officers, agents, employees, successors and assigns of both parties.

XIV.

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

**PRIDE ENERGY COMPANY, AN  
OKLAHOMA GENERAL PARTNERSHIP**

BY: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed or Typed)

TITLE: \_\_\_\_\_

THUS DONE AND SIGNED in duplicate original before me this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, at \_\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC (ID # \_\_\_\_\_)

\_\_\_\_\_  
(Printed or Typed)

**STATE OF LOUISIANA**

Mike D. McDaniel, Ph.D., Secretary  
Department of Environmental Quality

BY: \_\_\_\_\_  
Harold Leggett, Ph.D., Assistant Secretary  
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_\_, at Baton Rouge, Louisiana.

\_\_\_\_\_  
NOTARY PUBLIC (ID # \_\_\_\_\_)

\_\_\_\_\_  
(Printed or Typed)

Approved: \_\_\_\_\_

Harold Leggett, Ph.D., Assistant Secretary